

Creating organizational capacity and leadership



Professor at the Ross School of Business, University of Michigan, Dave Ulrich is considered the father of modern human resources management and one of the 50 most influential business thinkers in the world. He has authored and co-authored more than 30 books and 200 articles. In this piece, he explains why the future of talent is not defined by who we were or who we are but by who our customers need us to be. So, as our customers change, talent systems within the company will also have to change.

Context is our kingdom, and the universe in which we live is a world of uncertainty. For that reason, it is not about how we work but why and what we are working on to serve customers and our team members.

In this scenario, we might well wonder about the future of work. As leaders, we must analyze market value in the digital age and the new role of human capital in all kinds of business arenas, which has to do with understanding human capability from a holistic perspective - talent, organization, leader-



ship, and human resources - and connecting it with stakeholders.

Human talent is not about human resources but about helping the business to be successful in the market. It is also not the main asset of a company, but the main asset of the company's customers. Having said that, we see that there is a very strong correlation between the customer's and the employee's experiences, and if we can manage that bridge, that link, then we can be successful. To do this, we must develop and combine three aspects or dimensions: competence, commitment, and contribution.

By competence we are referring to the capacity to do the job; so we must bring the right people into the organization, move them through it and even out of it. Commitment is linked to being willing to do the work; for that we must create an emotional response in our team members, which is linked precisely to the third dimension of contribu-

tion: finding meaning in the work. This latter aspect has to do with increasing the idea of purpose, developing a mentality of growth and offering employees the possibility of being part of a community.

Now, looking at the creation of organizational capacity, we all know that the competition can copy strategies, business models, but what will always set us apart and cannot be copied is our people and our way of doing things. As leaders, the question is rooted precisely in how we build organizational capacities. In my opinion, human talent is the architect or coach, and leaders are the owners.

Let's begin with the organization. When it comes to delivering value to customers, what is more relevant or impactful: talent or the organization? The latter is more important. It is not the individual working alone - at home or in the office - but rather the collective aggregated work that we do in the

organizational system. The same is true in soccer. For example, only 20% of success or performance corresponds to the individual capacity of the players.

Whereas historically organization referred to "hierarchy", today it is not so much about structure as it is about identity: whether our organization genuinely makes some noise in the market, how our identity becomes a brand. And that brand is culture.

Let's look at Disney. The first thing the company does, which is so great, is to have a purpose, its reason for being: to be the happiest place on earth. They have a brand, an identity, and they are recognized in the market for being a fabulous, phenomenal brand. They also have a set of convictions and beliefs, something they believe in and value. And although they have their statement of values, that is not their root; rather they started with the brand or identity that they

want their customers, their guests, to experience. Their culture starts from the outside in: What experience do we want them to have? And they have created an internal culture to deliver on that promise. So I want you to think like leaders, beyond the underlying pattern of how things are done; it's getting the right culture that matters, what the customers see and experience. How do we want to be known? What do we represent?

Let's take values and beliefs, in other words our roots, and let's ask customers these three things: Are these the values they want us to have? What do we have to do to show them we live and breathe these values? When we do the things that they are asking for, would they buy more from us? As leaders, not only do we have to create and develop organizational culture, but the "right" organizational culture.

To do this, we must first define the desired culture. This is about asking ourselves what are the three things we want our customers (or other key stakeholders) to know and recognize in us. We can begin with organizational capacities and analyze which ones interest us:

- Talent: at all levels of the organization we attract, motivate, develop, and retain talented and committed people.
- Agility: we make change happen fast (change, adaptability, flexibility).
- Strategic clarity: we create a shared agenda and a broad commitment around our strategy (strategic unity, purpose, new rules of play, mission, vision).
- Customer centricity: we promote solid, long-lasting relationships of trust with our target customers (NPS, market share, customer

share, intimacy with the customer).

- The right culture: we create and integrate the right culture throughout the organization (shared mentality, firm identity, values).
- Collaboration: we work together so that the whole is greater than the sum of its parts (teamwork, partnerships, coordination).
- Social responsibility: we establish a solid reputation in planet management, philanthropy, people and political agendas (CSR, ESG, social citizenship, etc.).
- Innovation: we create and deliver our products, services, business models, and ways of working that are commercially successful (product creation, curiosity, knowledge management).
- Efficiency: we reduce the costs of our commercial activities





(standardization, process re-engineering).

- Responsibility: we establish and deliver on our commitments on time and on budget (execution, discipline, focus on high performance).
- Information/analytics: we acquire, analyze, and apply information to improve decision making (predictive analysis, dashboards, balanced score-card).
- Leverage/management of technology: we exploit and apply the latest technology trends (digital age, AI, machine learning, Internet of Things).

Being good in one or some of these capacities will help us to be successful in the market. And our work in talent management is what makes this a reality. That is why we must start with the results we want to achieve. What is the capacity we need to create? What must we look for? We need to ask our customers, our investors, our employees. Having selected the capacities, we must focus on defining a plan of action, in other words the potential actions to develop these capacities.

For example, if one of the capacities selected is agility: define agility indexes, apply them to all stakeholders and make change happen. If it is customer centricity: identify customers and their value judgments, and connect with them. If it is the right culture: define the right culture (from the outside in), build an intellectual, behavioral, and process agenda. If it is innovation: enhance individual innovation DNA and the organization's innovation systems.

In short, it is about defining how we are going to play and how we are going to win. In other words, aim to build human capacity by building the right organization. Once the desired culture is defined, we can move into the area of leadership, which is the next step to generate change towards the right culture.

Effective leadership is "results". I worry when leaders focus solely on attributes. They must have empathy for their leadership to yield results. I like the metaphor of brands, of brand as identity. That's how I understand leadership as well. Leadership should be a brand, and as such it includes six elements or steps: build a leadership business

case, agree what leaders should do, evaluate leaders and leadership, invest in leaders and leadership, measure them, and assure reputation.

In 2009-2010, we carried out research with the most renowned leaders and leadership thinkers. We asked them: What makes an effective leader? And they answered with four basic categories: First, the leader must be strategic, discern the future, shape where the company is heading, establish its direction. Second, they must be a doer: making things happen. Third, a leader must manage talent, be committed. And fourth, build the next generation, their replacement, develop human capital.

Let us look at the first point. If as leaders we are going to be strategists, we must gain and develop clarity. Use the characteristic uncertainty of a world full of information and create "asymmetry of information": separate what matters out from the noise. Then let us look at execution ability in a leader, which is about creating the right culture and providing guidance with a view to improving decision making to achieve results. Then, we can move into talent management, and here the key is to customize the employee's working experience. Customizing means that people matter to us, it means creating a feeling of compassion, of concern for them, we want their experience to be significant. By being leaders with empathy and creating talent practices, we ensure that our team members commit to their work and our vision. Finally, how do we build the next generation? We must empower others to build their brand, and build long-term relationships with and for others.

Leadership is not about our own history but about how we help others to create their own brands. That is their true essence. ▀